MINNESOTA ZOO FOUNDATION

Apple Valley, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended June 30, 2014 and 2013

MINNESOTA ZOO FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Minnesota Zoo Foundation
Apple Valley, Minnesota

We have audited the accompanying financial statements of Minnesota Zoo Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 23, 2014

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An Affirmative Action Equal Opportunity Employer

MINNESOTA ZOO FOUNDATION

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 1,366,664	$ 1,150,836
Contributions receivable	821,680	500,620
Prepaid expenses and other	17,003	9,248
Total Current Assets	2,205,347	1,660,704
NON CURRENT ASSETS		
Contributions receivable	262,651	287,660
Investments	1,136,893	975,550
Beneficial interest in perpetual trust	1,357,781	1,269,383
TOTAL ASSETS	$ 4,962,672	$ 4,193,297

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 11,271	$ 103,129
Notes payable	250,000	-
Accrued vacation and other liabilities	62,514	67,045
Total Current Liabilities	323,785	170,174
NON CURRENT LIABILITIES		
Charitable gift annuity	51,716	51,059
Total Liabilities	375,501	221,233
NET ASSETS		
Unrestricted		
Undesignated	566,407	761,168
Board designated	250,000	250,000
Total unrestricted	816,407	1,011,168
Temporarily restricted	1,739,361	1,062,995
Permanently restricted	2,031,403	1,897,901
Total Net Assets	4,587,171	3,972,064
TOTAL LIABILITIES AND NET ASSETS	$ 4,962,672	$ 4,193,297

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(with comparative totals for 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions and grants	$ 1,697,507	$ 2,458,639	$ 14,438	$ 4,170,584	$ 2,859,538
In-kind contributions	122,120	-	-	122,120	61,513
Special events, net of donor benefit of $130,318 and $100,135 for 2014 and 2013, respectively	377,484	142,891	30,666	551,041	557,241
Investment income, net of fees of $12,855 and $13,485 for 2014 and 2013, respectively	10,424	196,127	-	206,551	98,149
Change in beneficial interest in trust	-	-	88,398	88,398	88,902
Other income	188	-	-	188	210
Net assets released from restrictions					
Satisfaction of capital restrictions	876,956	(876,956)	-	-	-
Satisfaction of program restrictions	1,173,000	(1,173,000)	-	-	-
Satisfaction of time restrictions	71,335	(71,335)	-	-	-
Total Support and Revenue	4,329,014	676,366	133,502	5,138,882	3,665,553
EXPENSE					
Program services	3,544,443	-	-	3,544,443	2,740,642
Support services					
Management and general	690,747	-	-	690,747	665,353
Fundraising	288,585	-	-	288,585	346,507
Total support services	979,332	-	-	979,332	1,011,860
Total Expense	4,523,775	-	-	4,523,775	3,752,502
CHANGE IN NET ASSETS	(194,761)	676,366	133,502	615,107	(86,949)
Net Assets - Beginning of Year	1,011,168	1,062,995	1,897,901	3,972,064	4,059,013
NET ASSETS - END OF YEAR	$ 816,407	$ 1,739,361	$ 2,031,403	$ 4,587,171	$ 3,972,064

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions and grants	$ 1,116,483	$ 1,708,045	$ 35,010	$ 2,859,538
In-kind contributions	61,513	-	-	61,513
Special events, net of donor benefit of $100,135 and $92,750 for 2013 and 2012, respectively	403,900	128,480	24,861	557,241
Investment income, net of fees of $13,485 and $13,135 for 2013 and 2012, respectively	707	97,442	-	98,149
Change in beneficial interest in trust	-	-	88,902	88,902
Other income	210	-	-	210
Net assets released from restrictions				
Satisfaction of capital restrictions	233,298	(233,298)	-	-
Satisfaction of program restrictions	1,735,075	(1,735,075)	-	-
Satisfaction of time restrictions	236,224	(236,224)	-	-
Total Support and Revenue	3,787,410	(270,630)	148,773	3,665,553
EXPENSE				
Program services	2,740,642	-	-	2,740,642
Support services				
Management and general	665,353	-	-	665,353
Fundraising	346,507	-	-	346,507
Total support services	1,011,860	-	-	1,011,860
Total Expense	3,752,502	-	-	3,752,502
CHANGE IN NET ASSETS	34,908	(270,630)	148,773	(86,949)
Net Assets - Beginning of Year	976,260	1,333,625	1,749,128	4,059,013
NET ASSETS - END OF YEAR	$ 1,011,168	$ 1,062,995	$ 1,897,901	$ 3,972,064

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014					2013				
		Support Services					Support Services			
	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Zoo Program distributions - unrestricted	$ 1,759,651	$ -	$ -	$ -	$ 1,759,651	$ 507,091	$ -	$ -	$ -	$ 507,091
Zoo Program distributions - restricted	1,210,257	-	-	-	1,210,257	1,696,344	-	-	-	1,696,344
Personnel costs	128,997	567,753	124,889	692,642	821,639	134,872	520,669	128,599	649,268	784,140
Other grants	317,638	-	-	-	317,638	240,287	-	-	-	240,287
Contract and professional services	69,002	40,561	13,725	54,286	123,288	75,792	43,164	11,411	54,575	130,367
Supplies, printing and postage	21,602	24,934	71,386	96,320	117,922	22,575	19,123	61,336	80,459	103,034
Special events	25,840	-	40,112	40,112	65,952	37,563	-	103,990	103,990	141,553
Rent	3,128	13,769	3,029	16,798	19,926	3,427	13,231	3,268	16,499	19,926
Miscellaneous	5,569	4,902	1,121	6,023	11,592	16,264	30,348	9,452	39,800	56,064
Donor cultivation and recognition	291	156	22,895	23,051	23,342	2,063	-	23,759	23,759	25,822
Bank and merchant fees	-	24,563	9,039	33,602	33,602	1,837	26,420	1,751	28,171	30,008
Dues and subscriptions	1,089	4,791	1,054	5,845	6,934	1,486	5,738	1,417	7,155	8,641
Travel	1,379	6,068	1,335	7,403	8,782	1,041	4,019	1,524	5,543	6,584
Interest Expense	-	474	-	474	474	-	-	-	-	-
Change in actuarial value of gift annuities	-	2,776	-	2,776	2,776	-	2,641	-	2,641	2,641
Total Expenses	$ 3,544,443	$ 690,747	$ 288,585	$ 979,332	$ 4,523,775	$ 2,740,642	$ 665,353	$ 346,507	$ 1,011,860	$ 3,752,502

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 615,107	$ (86,949)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term investment	(44,008)	(59,871)
Stock gifts	-	(67,149)
Investment income	(206,551)	(98,149)
Change in beneficial interest in trust	(88,398)	(88,902)
Allowance for doubtful accounts	(20,700)	(9,500)
Contributions receivable discount	(3,388)	(10,237)
Interest on charitable gift annuity	4,271	2,015
Amortization of charitable gift annuity	(1,494)	(1,495)
Change in:		
Contributions receivable	(271,963)	240,703
Prepaid expenses and other	(7,755)	3,007
Accounts payable	(91,858)	86,028
Accrued vacation and other liabilities	(4,531)	(5,572)
Net Cash Flows From Operating Activities	(121,268)	(96,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(202,391)	(977,341)
Sale of investments	247,599	1,069,131
Net Cash Flows From Investing Activities	45,208	91,790
CASH FLOWS FROM FINANCING ACTIVITIES		
Charitable gift annuity payments	(2,120)	(2,120)
Contributions received restricted for long-term investment	44,008	59,871
Proceeds from issuance of note payable	500,000	-
Principal payments on note payable	(250,000)	-
Net Cash Flows From Financing Activities	291,888	57,751
Net Change in Cash and Cash Equivalents	215,828	53,470
CASH AND CASH EQUIVALENTS - Beginning of Year	1,150,836	1,097,366
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,366,664	$ 1,150,836

See accompanying notes to financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary purpose of Minnesota Zoo Foundation (the "Foundation") is to raise funds for the Minnesota Zoological Garden.

The Foundation solicits contributions which are administered by the Board of Trustees - the entity responsible for the distribution of funds to accomplish the objectives identified.

Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications

In order to observe the limitation and restrictions placed on resources available to Minnesota Zoo Foundation, the accounts are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

Unrestricted Net Assets - Unrestricted net assets include all assets, liabilities, and related revenues and expenses arising from the operations of the Foundation, which are not subject to any donor restrictions. These net assets include both board-designated and undesignated amounts. The Board of Trustees has designated $250,000 as of June 30, 2014 and 2013 for general operating reserves.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of uncollected long-term pledges receivable and unexpended amounts that may be used only after a specified date or only for a specified purpose or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted net assets consist of gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity.

Cash Equivalents

The Foundation considers all highly liquid investments, except for those held for long-term investment, with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents are concentrated in a limited number of financial institutions and amounts in excess of federally insured limits and similar coverages are subject to the usual risks of balances in excess of those limits.

Investments

Investments consist of short-term money market accounts and debt and equity mutual funds and are carried at fair value.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support

Contributions are recorded as revenue when an unconditional promise to give is received from a donor. The Foundation reports gifts of cash and other assets as additions to temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donations.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a release to unrestricted net assets is made to reflect the expiration of such restrictions.

Allowance for Uncollectible Contributions Receivable

Bad debts are provided for on the reserve method based on historical experience and management's evaluation of outstanding contributions receivable at the end of each year.

Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Foundation has been classified as a publicly supported charitable organization under Section 509(A)(1) of the Code and charitable contributions are deductible by donors.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of June 30, 2014 and 2013. The Foundation's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2011 and thereafter are open to examination by federal and state authorities.

Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has an irrevocable right to a 10% interest in the net income of the trust. The Foundation's interest in the trust is recorded at fair value and included in investments and is classified as permanently restricted net assets. Distributions received from the trust are recorded as investment income temporarily restricted for education, until appropriated to operations. The change in market value is recorded as permanently restricted in the statement of activities.

Fair Value of Financial Instruments

The carrying amounts reflected on the statement of financial position for contributions receivable and accounts payable approximate fair value due to the short term maturity of these financial instruments. The carrying values of charitable gift annuities are based on life expectancies and present value discounts included in the carrying amounts. The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefitted. Allocations are made largely based on actual time allocations prepared by the Foundation's employees.

Recently Issued Accounting Standards

Accounting standards issued within the current year have been evaluated by the Foundation and there is no material impact to the financial statements for these recently issued accounting standards.

As a result of the adoption of ASU 2012-05: *Statement of Cash Flows (Topic 230): Not for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, cash receipts resulting from the sale of donated financial assets that were converted nearly immediately into cash are classified as operating cash flows in the Statement of Cash Flows for the year ended June 30, 2014.

Reclassifications

For comparability, certain 2013 amounts have been reclassified to conform with classifications adopted in 2014. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Foundation has evaluated subsequent events through October 23, 2014 which is the date that the financial statements were issued.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following summarizes financial instruments measured at fair value on a recurring basis as of June 30, 2014:

	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds [1]	$ -	$ 286,580	$ -	$ 286,580
Fixed income security funds	524,781	-	-	524,781
Mutual funds – equities				
Large cap	338,566	-	-	338,566
Small cap	121,204	-	-	121,204
International	121,685	-	-	121,685
Total mutual funds - equities	581,455	-	-	581,455
Beneficial interest in perpetual trust	-	-	1,357,781	1,357,781
Total investments at fair value	$ 1,106,236	$ 286,580	$ 1,357,781	$ 2,750,597

[1] $255,923 of the money market funds are included in cash equivalents on the statement of financial position.

The following summarizes financial instruments measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds [2]	$ -	$ 280,623	$ -	$ 280,623
Fixed income security funds	422,842	-	-	422,842
Mutual funds – equities				
Large cap	346,948	-	-	346,948
Small cap	92,597	-	-	92,597
International	88,070	-	-	88,070
Total mutual funds - equities	527,615	-	-	527,615
Beneficial interest in perpetual trust	-	-	1,269,383	1,269,383
Total investments at fair value	$ 950,457	$ 280,623	$ 1,269,383	$ 2,500,463

[2] $255,530 of the money market funds are included in cash equivalents on the statement of financial position.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds - The fair value of money market funds is classified as Level 2 as these funds are not traded in an active market for which closing prices are readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Mutual funds - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Beneficial interest in perpetual trust - The Foundation's beneficial interest in a perpetual trust administered by a third party is classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the Foundation has an irrevocable right to receive the income earned from the trust's assets, the fair value of the Foundation's beneficial interest is estimated to approximate the fair value of the trust's assets.

Investments currently owned are held principally for endowment purposes and are recorded as noncurrent on the statements of financial position.

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

	Balance June 30, 2013	Purchases	Sales	Realized and unrealized gains (losses)	Balance June 30, 2014
Beneficial interest in perpetual trust	$ 1,269,383	$ -	$ -	$ 88,398	$ 1,357,781

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets measured at fair value still held at June 30, 2014	$ 88,398

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2013:

	Balance June 30, 2012	Purchases	Sales	Realized and unrealized gains (losses)	Balance June 30, 2013
Beneficial interest in perpetual trust	$ 1,180,481	$ -	$ -	$ 88,902	$ 1,269,383

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets measured at fair value still held at June 30, 2013	$ 88,902

NOTE 3 - ENDOWMENT

The Foundation's endowment consists of permanently restricted and temporarily restricted funds established for the following purposes:

Permanently restricted funds are donor restricted to be held in perpetuity, with the income and related investment gains to be used for donor restricted zoo programs or operations.

Temporarily restricted funds are the accumulation of earnings from the permanently restricted endowment that have not been appropriated for expenditure, with the income and related investment gains to be used for any mission related program.

NOTE 3 - ENDOWMENT (Continued)

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing flexibility in making expenditure decisions from donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the donor gift instrument.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are expected to outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio.

The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, etc.) and assigning beginning of the quarter weightings by asset class. The total return of the invested assets is expected to exceed the total return of the Allocation Index.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

The Foundation expects its endowment fund, over time, to provide a reasonable rate of return on an annualized basis. The Foundation has an endowment distribution policy that allows for periodic distributions, as approved and directed by the Finance Committee. The long term goal is to achieve a rate of growth sufficient to meet the Foundation's spending needs, while maintaining the inflation-adjusted principal of the endowment funds.

NOTE 3 - ENDOWMENT (Continued)

The following table summarizes endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 332,388	$ 673,622	$ 1,006,010
Total endowment net assets	$ -	$ 332,388	$ 673,622	$ 1,006,010

The following table summarizes endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 248,459	$ 628,518	$ 876,977
Total endowment net assets	$ -	$ 248,459	$ 628,518	$ 876,977

Change in endowment net assets for June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ -	$ 248,459	$ 628,518	$ 876,977
Investment return				
Investment income, net	-	6,300	-	6,300
Net appreciation (realized and unrealized)	-	111,910	-	111,910
Total investment return	-	118,210	-	118,210
Distributions to operations	-	(34,281)	-	(34,281)
Contributions	-	-	14,438	14,438
Special event income, net	-	-	30,666	30,666
Endowment net assets, June 30, 2014	$ -	$ 332,388	$ 673,622	$ 1,006,010

NOTE 3 - ENDOWMENT (Continued)

Change in endowment net assets for June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	$ -	$ 199,491	$ 568,647	$ 768,138
Investment return				
Investment income, net	-	2,445	-	2,445
Net appreciation (realized and unrealized)	-	72,746	-	72,746
Total investment return	-	75,191	-	75,191
Distributions to operations	-	(26,223)	-	(26,223)
Contributions	-	-	35,010	35,010
Special event income, net	-	-	24,861	24,861
Endowment net assets, June 30, 2013	$ -	$ 248,459	$ 628,518	$ 876,977

NOTE 4 - RELATED PARTY TRANSACTIONS

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were $2,872,328 and $2,163,890 for the years ended June 30, 2014 and 2013, respectively. Additionally, the Foundation donated in-kind items in the amount of $97,580 and $39,545 for the years ended June 30, 2014 and 2013, respectively.

The Minnesota Zoological Garden provides furnished office space and technical support to the Foundation at no charge. These amounts are recorded as in-kind contribution revenue and were recorded at fair value in the amount of $19,926 each year for the years ended June 30, 2014 and 2013.

NOTE 5 - LINE OF CREDIT

The Foundation maintains a $500,000 bank line-of-credit, secured by all business assets, which expires July 1, 2015. Interest is charged at the current prime rate. The line of credit balance was $0 at June 30, 2014 and 2013. No amounts were withdrawn from the line of credit during 2014 or 2013.

NOTE 6 – TERM NOTE

The Foundation has a $500,000 term note from US Bank, with interest accruing at the prime rate beginning July 15, 2014, which matures on December 16, 2015. Payments of interest only are due on the 15th of each month. The balance of the loan at June 30, 2014 was $250,000. The loan is secured by pledges receivable.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to be collected at June 30:

	2014	2013
In one year or less	$ 821,680	$ 500,620
Between one year and five years	304,051	346,372
More than five years	-	-
Gross promises to give	1,125,731	846,992
Less: Discount to net present value	(11,800)	(8,412)
Allowance for uncollectible contributions receivable	(29,600)	(50,300)
Net Contributions Receivable	$ 1,084,331	$ 788,280

Promises to give have been discounted using rates ranging from 1.4% to 4.0%, at June 30, 2014 and 2013, depending on the date and length of pledge.

Contributions receivable at June 30, 2014 and 2013 include approximately $729,000 due from 5 donors, and $470,000 due from 5 donors, respectively. Contributions receivable from Board members of the Foundation and the MN Zoological Garden were approximately $188,811 and $269,747 as of June 30, 2014 and 2013, respectively.

Contributions revenue at June 30, 2014 and 2013 included approximately $1,740,000 from 2 donors, and $350,000 from 1 donor, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of amounts for the following as of June 30:

	2014	2013
Zoo programs	$ 572,744	$ 556,517
Capital projects	1,044,280	312,806
Outstanding pledges, time restricted	122,337	193,672
	$ 1,739,361	$ 1,062,995

The Zoo programs amounts in temporarily restricted net assets as noted above include $332,388 and $248,459 of undistributed earnings on permanently restricted endowments as of June 30, 2014 and 2013, respectively.

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of amounts for the following as of June 30:

	2014	2013
Zoomobile endowment	$ 182,000	$ 182,000
General endowment	88,876	88,876
Granum fund – exhibit updates	79,441	79,441
Kay Kamps fund – animal health	29,042	29,042
Volunteer endowment	23,310	23,255
Boegnik fund – marine exhibits	10,425	10,425
Boardman fund – zoo camp	8,994	8,744
Roman education fund – zoomobile or zoo safari	123,649	90,075
Beneficial interest in perpetual trust	1,357,781	1,269,383
Greenberg fund – animal exhibit	64,020	64,020
Eric Hayes Memorial fund – shop fabrication	52,640	47,640
Beaulieu fund – general operating with marine emphasis	10,000	5,000
Tilson fund – tiger conservation	1,225	-
	$ 2,031,403	$ 1,897,901

NOTE 10 - RETIREMENT PLAN

The Foundation maintains a 401(k) retirement plan for the benefit of all employees meeting minimum eligibility requirements. The Foundation's contributions to the plan were $21,835 and $25,551 for the years ended June 30, 2014 and 2013, respectively.

NOTE 11 - DEFERRED GIFT AGREEMENTS

The Foundation has arrangements with donors classified as a charitable annuity liability. In general, under these arrangements, the Foundation receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the Foundation or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. There were no new deferred gift arrangements received for the year ended June 30, 2014. The Foundation used historical discount rates ranging from 2.8 - 3.0% for the calculations.